

APPENDIX TO WAMU DEFENDANTS' MOTION TO DISMISS

<u>Alleged Misrepresentation/Omission</u>	<u>Actual Disclosure¹</u>
<p>“WaMu was not nearly as thorough in obtaining and verifying documentation from or about borrowers as [its statements] imply” (CCAC ¶ 137.)</p> <p>“WaMu made no attempt to confirm the standards actually used by mortgage brokers, correspondents and other third-parties from which they acquired mortgages, as evident from the fact that, since issuance of the Certificates, public disclosures revealed that WMB ignored stated appraisal requirements and in many cases negligently employed underwriting practices that included the use of interested appraisers.” (CCAC ¶ 135(b).)</p> <p>“WMB, WCC and relevant third-parties failed to conduct proper due diligence and verify the information contained in borrower mortgage loan applications.” (CCAC ¶ 140(a).)</p>	<p>“The sponsor has several ‘streamline’ documentation programs under which the prospective borrower <i>income and assets either are not required to be obtained or are obtained but not verified.</i>” 2006-AR1 Supp. Pros. at S-28; 2007-HY1 Supp. Pros. at S-27 (emphasis added).</p> <p><i>Limited Documentation and No Documentation Mortgage Loans</i></p> <p>Limited documentation and no documentation mortgage loans are mortgage loans which require less documentation and verification than other mortgage loans, and <i>which may be originated with minimal or no investigation into the related borrower’s credit history and income profile by the originator.</i> The underwriting for limited documentation or no documentation loans may be based primarily or entirely on an appraisal or other valuation of the mortgaged property and the LTV or combined LTV ratio at origination. 2006-AR2 Supp. Pros. at 32 (emphasis added).</p> <p>“The underwriting criteria applied by the originators of the mortgage loans transferred to a trust may vary significantly among originators. <i>The mortgage loan sellers will generally review only a limited portion of the mortgage loans</i> in any delivery of such mortgage loans for conformity with the applicable credit, appraisal and underwriting standards.” Reg. Stmt. at 43 (emphasis added).</p> <p>“Upon a breach of any representation and warranty of the depositor, a mortgage loan seller, an originator or another party on behalf of a mortgage loan seller or originator that</p>

¹ The Certificates at issue generally have the same or substantially similar risk disclosures. For ease of reference, individual documents are cited as representative samples.

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	materially and adversely affects the value of a mortgage asset or the interests of the securityholders or the trust in the mortgage asset, <i>the person who made the representation and warranty will be obligated either to cure the breach in all material respects, repurchase the mortgage asset at the Purchase Price or substitute for that mortgage asset</i> as described in the next paragraph.” Reg. Stmt. at 53 (emphasis added).
<p>“The underlying loan collateral for the Certificates issued by the Issuing Trusts was originated by, or pursuant to, the origination guidelines of WMB.” (CCAC ¶ 138.)</p> <p>“WMB, WCC and relevant third parties failed to conduct proper due diligence and verify the information contained in the borrower mortgage loan applications.” (CCAC ¶ 140(a).)</p>	<p>“Exceptions to the sponsor’s loan program parameters may be made on a case-by-case basis if compensating factors are present.” 2006-AR1 Supp. Pros. at S-30; 2007-HY1 Supp. Pros. at S-27.</p>
<p>“The origination guidelines generally required a description of the borrower’s income, employment documentation and a credit report.” (CCAC ¶ 139.)</p>	<p>“For some mortgage loans that qualify under these programs, the <i>borrower’s income and assets are not required to be obtained</i>. For some other mortgage loans that qualify under these programs, the borrower’s income and assets are obtained but not verified, the borrower’s employment is verified with the employer by telephone, and the borrower’s stated income must be reasonable for the borrower’s occupation and assets (as determined in the underwriter’s discretion).” 2007-HY1 Supp. Pros. at S-27 (emphasis added).</p>
<p>WaMu failed to disclose the risk that appraisals would not accurately reflect the value of the properties underlying the mortgages in a mortgage pool (CCAC ¶¶ 143-44, 146-55)</p> <p>“WaMu failed to confirm that appraisers were following the [USPAP] Guidelines” (CCAC ¶ 143(b).)</p>	<p>[I]n the case of mortgage loans underwritten through the sponsor’s automated underwriting system an automated valuation method may be used, under which the appraiser does not personally inspect the property but instead relies on public records regarding the mortgaged property and/or neighboring properties. In either case, the appraisal normally is based upon a market data analysis</p>

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	of recent sales of comparable properties and, when deemed applicable, a replacement cost analysis based on the current cost of constructing or purchasing a similar property. For mortgage loans underwritten under the sponsor streamline documentation programs; the appraisal guidelines in some cases permit the appraisal obtained for an existing mortgage loan to be used. 2006-AR2 Supp. Pros. at S-21.
WaMu misrepresented the LTV ratios of the loans in the mortgage pools underlying the Certificates because the appraisal values were inflated. (CCAC ¶¶ 161-62.)	[F]or some mortgage loans, the value of the related mortgaged properties may have substantially declined since the appraisals were obtained in connection with the origination of those mortgage loans. In the event that such a mortgage loan becomes delinquent and is liquidated, a larger loss may occur than would otherwise be expected based on the appraised value. 2006-AR5 Prospectus at 6.
The Rating Agencies played a role in structuring the offerings (CCAC ¶¶ 109-10), creating a conflict of interest between WaMu and the Rating Agencies (<i>id.</i> ¶¶ 111-16).	<p>A security rating is not a recommendation to buy, sell or hold securities and <i>may be subject to revision or withdrawal at any time</i> by the assigning rating agency.” 2006-AR2 Supp. Pros. at S-97 (emphasis added).</p> <p>The ratings on the offered certificates address the likelihood of the receipt by certificateholders of all distributions with respect to the underlying mortgage loans to which they are entitled. <i>The ratings do not represent any assessment of the likelihood that the rate of principal prepayments by mortgagors might differ from those originally anticipated.</i> As a result of differences in the rate of principal prepayments certificateholders might suffer a lower than anticipated yield to maturity.” <i>Id.</i> at S-98 (emphasis added).</p> <p>It is a condition to the issuance of the securities that each series of securities be rated in one of the four highest rating categories by a nationally recognized statistical rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. No</p>

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	<p>person is obligated to maintain the rating on any security, and accordingly, there can be no assurance that the ratings assigned to any security on the date on which the security is originally issued will not be lowered or withdrawn by a rating agency at any time thereafter. The ratings of any series of securities by any applicable rating agency may be lowered following the initial issuance of the securities as a result of factors that the rating agency considers significant, such as the downgrading of the obligations of any applicable credit support provider, or as a result of losses on the related mortgage assets in excess of the levels contemplated by the rating agency at the time of its initial rating analysis. Neither the depositor, the servicer nor any of their respective affiliates will have any obligation to replace or supplement any credit support, or to take any other action to maintain any ratings of any series of securities. If any rating is revised or withdrawn, the liquidity or the market value of your security may be adversely affected. 2006-AR18 Prospectus at 7.</p>